

AGENDA
FREMONT REDEVELOPMENT AGENCY REGULAR MEETING
OCTOBER 28, 2003
7:00 P.M.

1. CALL TO ORDER

2. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Redevelopment Agency and will be enacted by one motion and one vote. There will be no separate discussion of these items unless an Agency Member or citizen so requests, in which event the item will be removed from the Consent Calendar and considered in its normal sequence on the agenda. Additionally, other items without a "Request to Address the Redevelopment Agency Board" card in opposition may be added to the consent calendar. (In the report section of the agenda, consent items are indicated by an asterisk.)

2.1 *Approval of Minutes –for the Regular Meeting of September 9, 2003 and September 23, 2003*

2.2 **CONSIDERATION OF PREDEVELOPMENT LOAN FOR MERCY HOUSING CALIFORNIA**

Consideration of a Predevelopment Loan to Mercy Housing California for Predevelopment Costs Associated with an Affordable Housing Development Proposed for the Irvington Area

Contact Person:

| | | |
|---------|--|--|
| Name: | Lourdes P. Chang | Laura Gonzalez-Escoto |
| Title: | Housing and Redevelopment Project Manager | Deputy Redevelopment Agency Director for Housing |
| Dept.: | Office of Housing and Redevelopment | Office of Housing and Redevelopment |
| Phone: | 510-494-4504 | 510-494-4501 |
| E-Mail: | lchang@ci.fremont.ca.us | lgescoto@ci.fremont.ca.us |

RECOMMENDATIONS: *Staff recommends that the Agency Board adopt a Resolution to:*

- 1. Find that the predevelopment loan is exempt from CEQA;*
- 2. Authorize the expenditure of Redevelopment Agency Housing Funds outside the Redevelopment Project Areas and make a finding that the use of such funds benefits the project area;*

3. *Appropriate \$210,000 from the Redevelopment Agency Housing Fund for a predevelopment loan to Mercy Housing California;*
4. *Authorize the Executive Director or designee to execute the documents necessary to execute the loan agreement;*
5. *Approve an appropriation transfer of \$210,000 from #911HHD6100 to Mercy Housing project #911HHD6110.*

3. PUBLIC COMMUNICATIONS

- 3.1 Oral Communications
- 3.2 Written Communications – None.

4. PUBLIC HEARINGS – None.

5. OTHER BUSINESS

- 5.1 Report Out from Closed Session of Any Final Action
- 5.2 **CENTERVILLE UNIFIED REDEVELOPMENT AREA DEVELOPER SELECTION**
Consideration of developer selection for the Centerville Unified Redevelopment Area on Fremont Boulevard

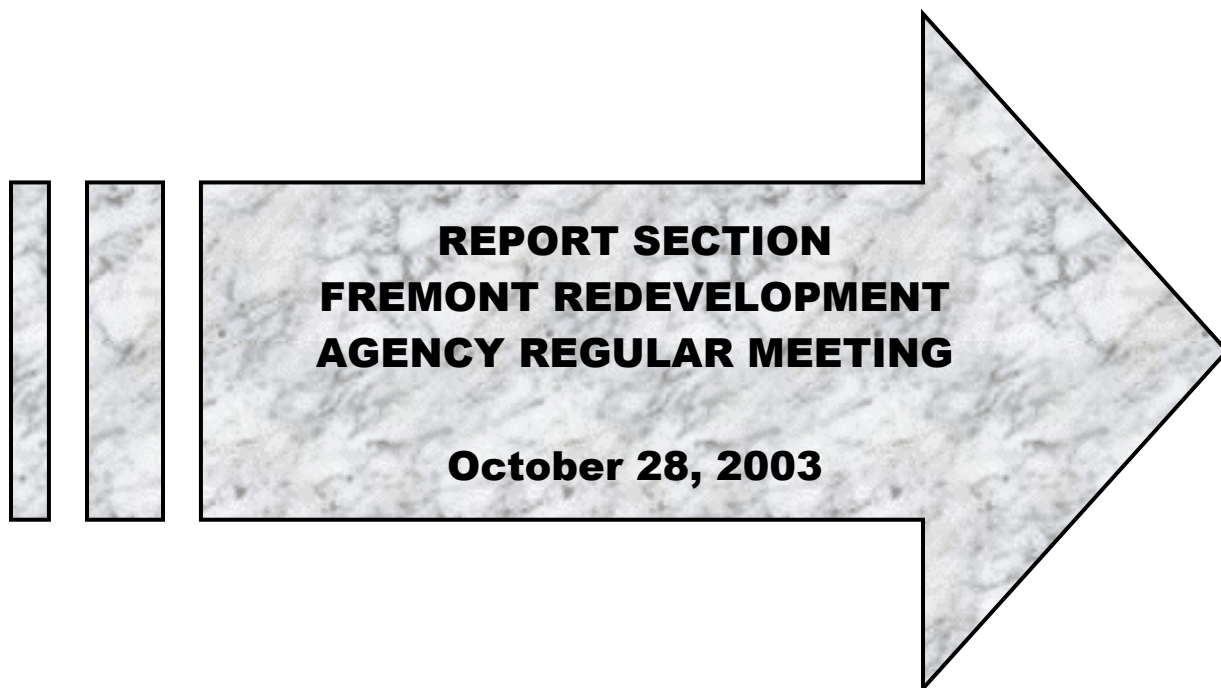
Contact Person:

| | | |
|---------|-----------------------------------|-----------------------------------|
| Name: | Jennifer Andersen | Lynn Dantzker |
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| Dept.: | Office of Housing & Redevelopment | Office of Housing & Redevelopment |
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RECOMMENDATION: Adopt a resolution that:

1. Designates TMG Partners as the preferred developer for the Centerville Unified Redevelopment Area because of the development team's relevant development experience with mixed-use development, the proposal submitted, and their financial capability.
2. Authorizes the Executive Director to enter into an Exclusive Right to Negotiate Agreement (ERN) with TMG Partners for a period of 180 days to negotiate a Disposition and Development Agreement (DDA) and to extend the agreement if progress on the negotiation of the DDA merits its extension.

6. ADJOURNMENT



***2.2 CONSIDERATION OF PREDEVELOPMENT LOAN FOR MERCY HOUSING CALIFORNIA**

Consideration of a Predevelopment Loan to Mercy Housing California for Predevelopment Costs Associated with an Affordable Housing Development Proposed for the Irvington Area

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| Name: | Lourdes P. Chang | Laura Gonzalez-Escoto |
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Note: A companion item is included on tonight's City Council agenda.

Executive Summary: Mercy Housing California (Mercy), a nonprofit affordable housing developer, has submitted a funding request to the Redevelopment Agency for a loan to cover predevelopment costs associated with an affordable housing development, a portion of which is located in the Irvington Redevelopment Project Area. The proposed development consists of two separate sites located kitty corner to each other near the intersection of Fremont Blvd. and Blacow Road. It is anticipated that a combined total of 94 units could potentially be built on the two sites. Mercy is currently in negotiations to purchase both sites. The predevelopment loan would cover the cost of feasibility studies that will assist the Agency in considering future applications for acquisition and development financing.

City Council approval is also required, as Redevelopment Agency Affordable Housing Funds may not be used to fund projects outside the established redevelopment project areas without a determination by both the City and the Agency that such use would benefit the project areas.

Staff recommends that the Agency Board adopt a Resolution to:

1. Authorize the expenditure of Redevelopment Agency Housing Funds outside the Redevelopment Project Areas and make a finding that the use of such funds benefits the project areas;
2. Appropriate \$210,000 from the Redevelopment Agency Housing Fund for a predevelopment loan to Mercy Housing California;
3. Authorize the Executive Director or designee to execute the documents necessary to execute the loan agreement; and
4. Approve an appropriation transfer of \$210,000 from #911HHD6100 to Mercy Housing project #911HHD6110.

BACKGROUND:

Developer: Mercy Housing California is the largest regional development corporation under Mercy Housing Inc., a nonprofit, public benefit corporation established by the Sisters of Mercy in Omaha, Nebraska. Mercy develops housing throughout California and has offices in San Francisco, Sacramento, Orange and Santa Cruz. Since its inception in 1988, Mercy Housing California has developed over 9,000 affordable housing units serving families, seniors, homeless, and people with special needs. In addition to developing affordable housing, Mercy provides property management through Mercy Services

Corporation. Mercy offers on-site community and resident initiatives at their developments, including computer learning centers, arts programs, health classes, employment initiatives and home ownership seminars.

Project Description: Mercy Housing California proposes to develop approximately 94 affordable rental units on two sites located kitty corner to each other at the intersection of Fremont Blvd. and Blacow Road, a portion of which is located in the Irvington Redevelopment Project Area. Although the proposed development would be built on two separate sites, it would be developed as a single project utilizing joint financing, one architect, one contractor and when built, managed under the same property management team. Preliminary site plans include a mix of one, two and three-bedroom apartments. All of the apartments are proposed to be affordable to very low and low-income households. Each site would also include amenities, such as an on-site community room and landscaped open areas. The unit count and mix is preliminary and subject to change as development plans are finalized.

Development Site: The site consists of a total of 3.2 acres (See Chart #1), including a 1.4-acre site owned by Harvest House Church and a 1.8-acre site owned by Fremont/Blacow LC. The 1.4-acre site, located southwest of the Fremont/Blacow intersection, is mostly vacant with one single family home and two apartments located on the northern portion of the property. These homes currently house employees of the Harvest House Church. The 1.8-acre site located northeast of the Fremont/Blacow intersection is currently being operated as a small, commercial shopping center and is located within the Irvington Redevelopment Project Area. Current tenants include a liquor store, a bar, a print shop and a restaurant. Mercy anticipates execution of a Purchase and Sale Agreement for each site by October 31, 2003.

Since July 2003, Mercy has been negotiating with the Harvest House Church to purchase a portion of the Church's parcel for the development of affordable family housing units. (This is one of the first collaborations between an affordable housing developer and a faith-based organization that resulted from the first Faith-based Workshop conducted on June 25, 2003, and co-sponsored by the Office of Housing and Redevelopment, Tri-City Ministerial Association, an Interfaith Organization, and Tri-City Association of Evangelicals). Mercy and Harvest House Church share a similar interest in providing housing for low-income residents. The eventual sale of Harvest House land to Mercy will enable the Church to move forward with their master planned development, including improvements to their existing facilities.

Mercy Housing California retained Van Meter Williams Pollack, the architect for the Fremont Oak Gardens, to develop conceptual plans for the site. Initial plans show that approximately 45 units could be built on the Harvest House site and approximately 49 units could be constructed on the existing commercial site for a total development of 94 units on 3.2 acres, for a density of approximately 30 units to the acre.

| Chart 1: Development Site | | | | |
|----------------------------------|---|---------------|----------------------|--|
| | <i>Address & Site Description</i> | <i>Zoning</i> | <i>Approx. Acres</i> | <i>Status</i> |
| 1 | Harvest House Church Site (Address): Mostly vacant lot with 1 single-family residence and 2 apartments (occupied by Harvest House Church employees) | R 1-6 | 1.4 | Developer in negotiations with Property Owner and anticipates execution of Purchase Agreement by 10/31/03. |
| 2 | Shopping Center Site (Address): Small commercial strip mall occupied by 3 small businesses and a restaurant | C-N | 1.8 | Developer in negotiations with Property Owner and anticipates execution of Purchase Agreement by 10/31/03. |
| | Total | | 3.2 | |

*C-N: Neighborhood Commercial

The Harvest House site is zoned R-1-6 (residential usage) and the commercial site is zoned C-N or Neighborhood Commercial. Currently, the General Plan only allows a density of 5-7 dwelling units per acre on the Harvest House site. Thus, to build beyond the density allowed on the Harvest House site and to enable construction of residential units on the commercial lot, the developer will need to obtain a General Plan Amendment and will also need to rezone the sites to R-3-27 or Planned District (PD). Both sites are currently listed in the Housing Element Land Inventory as potential sites to be rezoned to accommodate affordable housing development. When the Housing Element was adopted, the commercial site was identified as a potential candidate for conversion to affordable housing development (Program 23) and the Harvest House site was identified as a site that could have an increased residential density (Program 18). Thus, rezoning the sites would help meet the City's Housing Element goals of providing for the City's affordable housing needs.

Predevelopment Costs: Mercy Housing California is requesting \$210,000 for the following predevelopment expenses:

| Chart 2: Summary of Predevelopment Expenses | | |
|--|--|------------------|
| <i>Category</i> | <i>Description</i> | <i>Estimated</i> |
| Architecture, Engineering & Planning | Design drawings, meeting/travel for architect, and surveyor's expense | \$38,000 |
| Environmental Studies | Phase I and Phase II, asbestos/lead studies, biological and historic studies, tree survey, traffic study, & acoustic/vibration analysis | \$83,250 |
| City Application Fees | Application fees for Environmental Impact Assessment, Rezoning and General Plan Amendment | \$8,300 |
| Miscellaneous Soft Costs | Appraisal, and other Cost Analysis | \$11,000 |
| Administrative Fees | Project management through due diligence period (Administrative Fee will be deducted from Mercy's Developer Fee at completion of project). | \$50,000 |
| Subtotal | | \$190,550 |
| Contingency @ 10% | | \$19,450 |
| Total | | \$210,000 |

Should the predevelopment loan request be approved, Mercy is expected to submit an acquisition and development loan request to the Agency at a later date, at which point this pre-development loan would be folded into the larger acquisition and development loan. The feasibility and planning studies to be covered by the predevelopment loan include site analysis for environmental review under CEQA that would assist the Agency in considering future applications for acquisition and development financing. The predevelopment loan also provides for an Administrative Fee to cover staff time and related costs, such as community outreach activities and coordination of site studies, that Mercy will incur during the due diligence period. This Administrative Fee will be deducted from Mercy's Developer Fee upon completion of the project. The total Developer Fee is estimated to be \$1.2 million, or 3% of the total development cost of \$35 million. As security, the Agency predevelopment loan will require an assignment of the purchase contracts and all plans and specifications, agreements and land use approvals such that the Agency would have the right to take over the project and seek another developer, if necessary.

As noted earlier, Mercy anticipates execution of a Purchase and Sale Agreement for each site by October 31, 2003. The Agency predevelopment loan agreement will not be executed and the funds will not be disbursed until the purchase and sale agreements for both sites have been executed.

Total Development Cost: Mercy estimates that the 94-unit, affordable multifamily rental housing development would cost approximately \$35.3 million (\$376,300 per rental unit). Costs include land acquisition, environmental remediation, tenant relocation costs, design and engineering, and construction. Land cost alone is anticipated to be \$4.35 million for approximately 3.2 acres (\$2.1 million

for Harvest House, or \$1.5 million per acre, and \$2.25 million for the commercial site, or \$1.25 million per acre). The following chart provides a preliminary estimate of the source of funds for this development:

| Chart 3: Preliminary Estimated Sources of Funds | | | |
|--|----------------------|-----------------------|---------------------------------------|
| <i>Anticipated Source of Funds:</i> | <i>Amount</i> | <i>Percent</i> | <i>Per Unit (94 Units)</i> |
| Redevelopment Agency Loan | \$9,000,000 | 26% | \$96,300 |
| Other Funds: | \$26,300,000 | 74% | \$280,000 |
| 1. Nine Percent (9%) Tax Credit Equity (proposed primary source of funds) | | | |
| 2. Federal Home Loan Bank Affordable Housing Program (AHP funds at \$5,000 per unit, or approx. \$470,000 total for project) | | | |
| 3. Other Funds – to be identified | | | |
| Total | \$35,300,000 | 100% | |

The Agency's estimated loan subsidy of approximately \$9 million, or \$96,300 per rental unit includes the cost of predevelopment and land acquisition for both the Harvest House and shopping center site. The loan would be fully repaid out of residual receipts (i.e., annual repayment of Agency principal and interest would be made out of residual operating proceeds after satisfying all rental development operating expenses) during the term of the loan and a principal payment at the end of the loan term. The estimated per unit subsidy noted above is subject to change, as the final project design has not been approved.

The proposed primary source of construction financing is the State's Nine Percent (9%) tax credits. Mercy plans to submit an application to the State of California Tax Credit Allocation Committee (TCAC) for competitive 9% tax credits in Summer 2004. The 9% tax credit equity will finance most of the construction costs. In addition, Mercy will apply for other funds including the Federal Home Loan Affordable Housing Program, which could provide approximately \$5,000 per unit or \$470,000 total, and a conventional bank loan.

Preliminary Development Timeline:

| <i>Date</i> | <i>Action</i> |
|--------------------|---|
| 09/15/03 | Developer submits preliminary plans to City for review |
| 11/01/03 | Developer submits General Plan Amendment/Rezone/Environmental Impact Assessment application to City |
| 11/01/03 | Developer executes Purchase Contract with Property Owners |
| 11/03 | Community Meeting to review conceptual plans for proposed development |
| 02/04 | Planning Commission considers General Plan Amendment and Re-zone to R-3 District or Planned District (PD) |
| 03/04 | City Council considers General Plan Amendment and Re-zone to R-3 District or Planned District (PD) |
| 03/04 | Community Meeting |

| | |
|--------|---|
| 04/04 | Redevelopment Agency considers acquisition and development loan request (Environmental review must be completed prior to RDA funding commitment) |
| 04/04 | Redevelopment Agency acquisition/development loan and escrow on land closes |
| 7/1/04 | Developer submits competitive 9% Tax Credit Application to State Tax Credit Allocation Committee (TCAC) |
| 11/04 | Grading and building permits issued |
| 02/05 | Construction begins |
| 01/06 | Construction complete |
| 2/06 | 100% Occupancy |

Statutory Exemption from CEQA: Pursuant to Section 15262 of the California Environmental Quality Act (CEQA) Guidelines, a project involving only feasibility or planning studies for possible future actions which an agency, board or commission has not approved, adopted or funded is statutorily exempt from CEQA. Approval of the predevelopment loan will fund feasibility studies, preliminary site design, environmental studies and land use applications, all of which facilitate environmental review. Environmental factors will be considered in the site analysis being completed in the predevelopment work, and if the development moves forward, further environmental analysis and documentation will be completed as required by CEQA.

Redevelopment Agency's Five-Year Implementation Plan Conformance: The Agency's Five-Year Implementation Plan sets forth specific goals and objectives in sufficient detail so as to measure performance over five-year terms. The Five-Year Plan focuses on increasing the supply of rental units by providing financial assistance to developers for the creation of new affordable housing, mixed-income housing, and housing affordable to seniors and people with special needs. The Mercy Housing Development will provide 94 new units for households including individuals and families. The Agency proposes restricting at least 49% of the units for occupancy by extremely low, very low and low-income households at affordable rents.

Benefit to Project Area and Elimination of Blight: The proposed development site is located near one of the major intersections of the Irvington Redevelopment Project Area, Fremont and Blacow Road, which consists of a mix of neighborhood commercial uses, including a Smart and Final grocery store, automotive shops, a gas station, and a couple of small aging and underutilized shopping centers. The commercial uses are generally located at the four corners of the intersection and are surrounded by a mix of apartment buildings, single-family homes and the Harvest House Church site. While the existing businesses provide services to residents in the area, the addition of a well-designed, residential community along the Fremont Boulevard frontage on both sides of the street will eliminate the blighting factors (vacant lots and underutilized shopping centers) to help create a more vibrant neighborhood.

Health and Safety Code Section 33334.2 (g) authorizes expenditure of Redevelopment Agency Housing Funds outside redevelopment project areas upon a finding by the City Council and the Redevelopment Agency that such use will benefit the redevelopment project areas. Using Affordable Housing Funds to finance feasibility costs for a proposed affordable housing development will benefit the project area because the development, if approved, will increase the amount of affordable housing available in the community, thereby decreasing the market pressure on the supply of affordable housing in the community and the project areas.

Affordable Housing Investment Strategy and Housing Element Compliance: Assisting developers in the development of affordable housing is in alignment with the implementation program of the City's adopted Housing Element and the Affordable Housing Investment Strategy approved by the Agency Board. The Affordable Housing Investment Strategy supports Agency investment in housing for very low and low-income households, including housing for large families. At this time, the Mercy Family Housing Development anticipates the City's total contribution to be \$96,300 per unit, slightly higher than the Agency's estimated average subsidy per unit of \$65,000-\$85,000. However, the Agency funds are being used effectively and will be well-leveraged with other non-Agency funds.

The Housing Element identifies the need for 4,913 new housing units in Fremont by the year 2006 at the following income levels: 873-very low, 602-low, 1,791-moderate and 1,647-above moderate. The units proposed by Mercy would be eligible new housing units that the City could count towards meeting the need for very low and low-income units. In addition, the Housing Element lists a number of programs that supports the development of affordable housing, including initiatives that provide for the rezoning of underutilized properties to accommodate development of affordable housing. Both the Harvest House Church site and the commercial site are currently listed in the Housing Element Land Inventory as potential sites to be rezoned to accommodate affordable housing development. When the Housing Element was adopted, the commercial site was identified as a potential candidate for conversion to affordable housing development (Program 23) and the Harvest House site was identified as a site that could have an increased density (Program 18). Thus, rezoning the sites would help meet the City's Housing Element goals of providing for the City's affordable housing needs.

ENCLOSURE: None.

RECOMMENDATIONS: Staff recommends that the Agency Board adopt a Resolution to:

1. Find that the predevelopment loan is exempt from CEQA;
2. Authorize the expenditure of Redevelopment Agency Housing Funds outside the Redevelopment Project Areas and make a finding that the use of such funds benefits the project area;
3. Appropriate \$210,000 from the Redevelopment Agency Housing Fund for a predevelopment loan to Mercy Housing California;
4. Authorize the Executive Director or designee to execute the documents necessary to execute the loan agreement;
5. Approve an appropriation transfer of \$210,000 from #911HHD6100 to Mercy Housing project #911HHD6110.

5.1 Report Out from Closed Session of Any Final Action

5.2 CENTERVILLE UNIFIED REDEVELOPMENT AREA DEVELOPER SELECTION

Consideration of developer selection for the Centerville Unified Redevelopment Area on Fremont Boulevard

Contact Person:

| | | |
|---------|--------------------------------------|--------------------------------------|
| Name: | Jennifer Andersen | Lynn Dantzker |
| Title: | Redevelopment Project Manager | Assistant City Manager |
| Dept.: | Office of Housing & Redevelopment | Office of Housing & Redevelopment |
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Executive Summary: A joint Request for Qualifications and Proposals (RFQ/P) for the development of the Centerville Unified Redevelopment Area was issued March 25, 2003 as authorized by the Redevelopment Agency Board on February 11, 2003. Ten complete qualification submittals were received from developers in May 2003 in response to the RFQ/P. The four most qualified developers were invited to submit proposals by July 7, 2003. These developers made presentations to the Agency Board on October 13, 2003. This report presents staff's analysis of all the proposals. Based upon the review of these proposals, staff recommends that the Agency Board adopt a resolution that: (1) designates TMG Partners as the preferred developer for the Centerville Unified Redevelopment Area because of that development team's relevant development experience with mixed-use development, the proposal submitted, and their financial capability, and (2) authorizes the Executive Director to enter into an Exclusive Right to Negotiate Agreement (ERN) with TMG Partners for a period of 180 days to negotiate a Disposition and Development Agreement (DDA) and to extend the agreement if progress on the negotiation of the DDA merits its extension.

BACKGROUND:

On April 14, 2000, the Fremont Redevelopment Agency Board passed a resolution designating a Centerville site generally bounded by Fremont Boulevard, Post Street, Bonde Way and Thornton Avenue as a "unified redevelopment area" (the "Site"). The Site was comprised of three parcels commonly known as the Bridges property, Center Square Shopping Center, and the Scenario Game and Hobby Shoppe property. The Agency Board authorized the purchase of the Center Square and Bridges parcels and a small strip of property added to the Site located between the original Site and the Taco Bell on Fremont Boulevard owned by the Centerville Presbyterian Church (Pioneer Cemetery Panhandle). The Agency has conducted environmental investigations and partial remediation on the properties. In June 2001 the Agency Board authorized the execution of an Exclusive Right to Negotiate (ERN) with Regency Centers to negotiate the terms and conditions for the disposition of the parcels and development of the Site as a grocery-anchored shopping center. In February 2003, the Agency Board provided direction to staff to pursue a mixed-use retail/residential development, determining that the high-quality grocery-anchored project was infeasible.

Status of Land Acquisition: Staff has been involved in the negotiation and acquisition of four privately held properties (including the Pioneer Cemetery Panhandle), and the relocation of 16 tenants in order to secure the Site for development. The status of this effort is outlined below.

- A. *Bridges Property*. The Agency acquired the Bridges site in May of 2000. All seven tenants executed relocation settlement agreements and have been successfully relocated.
- B. *Center Square Shopping Center*. The Agency entered a settlement agreement with the property owner in June 2003 and has acquired the property. All nine tenants have executed relocation settlement agreements and have been successfully relocated.
- C. *Scenario Game and Hobby Shoppe*. Negotiations with Chuck Wofford, the property and business owner of Scenario Game and Hobby Shoppe have been suspended pending the selection of a preferred developer for a mixed-use development. The agreement that had been under discussion to date anticipated integrating a new fee-owned parcel and building for Scenario as part of the grocery-based shopping center project.
- D. *Pioneer Cemetery Panhandle*. An agreement to purchase the approximately 2,800 square foot panhandle portion of the Pioneer Cemetery, immediately adjacent to the Site, has received preliminary approval from the Presbyterian Church. Final consideration and execution of the agreement will be scheduled for Agency Board consideration in the future.

Status of Environmental Investigation and Demolition of Current Facilities: Phase One and Two environmental reviews were conducted on the Center Square, Bridges, and Scenario properties. These investigations revealed environmental contamination on all three sites, including lead paint and asbestos in all the buildings. The other sources of contamination are noted below.

1. *Scenario and Center Square Properties*. Groundwater contaminated by tetrachloroethene (PCE) was found on the Scenario and Center Square sites. The source of this contamination is believed to be the dry cleaners that was located (years ago) in one of the central tenant spaces on the Center Square site. Although core samples taken from underneath the foundation do not indicate PCE contamination is still in the soil, additional tests of the soil will need to be conducted after building demolition to confirm this finding. Five rounds of groundwater testing have been completed. Meetings with the Alameda County Water District (ACWD) regarding a remediation plan indicate that monitoring of the contamination over time will be an acceptable cleanup approach as long as the PCE plume is shown to be naturally attenuating, as preliminary data indicates.
2. *Bridges Property*. Three underground fuel storage tanks and a shallow field of lead contaminated soil were found on the Bridges site. All three tanks and soil contaminated by the fuel were removed by the Agency and a closure letter has been issued by the Fremont Fire Department regarding the removal. The soil contaminated with lead is restricted to a two-foot deep area that includes a portion of soil under an existing building. This soil is proposed for removal subsequent to the demolition of Site improvements. The Agency is currently pursuing the former owner of the property for cost recovery regarding this expense.

None of these conditions are expected to preclude redevelopment of the Site. Lead paint and asbestos will be removed as a component of building demolition. The only anticipated ongoing issue will be monitoring groundwater conditions, which is expected to continue for 10 to 20 years. This requirement

will be met by either retaining the testing wells that now exist on site, or relocating the wells on site once a site plan is approved.

Funds have been appropriated for the demolition of the existing facilities on the Site. Bid specifications are under development and the Agency Board is scheduled to authorize the bid in November 2003. Demolition is anticipated to begin in January 2004.

RFQ/P Process. On February 11, 2003 the Fremont Redevelopment Agency authorized staff to issue a joint Request for Qualifications and Proposals (RFQ/P) for the Site. Staff issued the RFQ/P on March 25, 2003, and received qualification submittals from the following ten developers (copies of each submitted, minus confidential financial documents, are available for public review at the Office of Housing and Redevelopment):

Developers/Qualifications (in alphabetical order)

1. Barry Swenson Builder
2. Bayrock Residential
3. Blake Hunt Ventures
4. Charter Development
5. Reininga Corporation
6. Santa Clara Development
7. Shea Properties
8. TMG Partners
9. The Olson Co.
10. Watt Commercial Properties

After evaluating the qualifications statements, a Review Panel (made up of the City's Redevelopment Agency Director, Economic Development Director, City Landscape Architect, Planning Manager, and Centerville Redevelopment Project Manager) advised by three community members (one Redevelopment Advisory Committee member, and two community members) identified four developers that were the most qualified to submit proposals for the site. Evaluations of Qualification Statements were conducted based upon the following five criteria identified in the RFQ:

RFQ Selection Criteria

1. **Interest and Vision** – A vision that most closely relates to the interest and vision expressed by the Agency in the RFQ.
2. **Team Identification** – A team that has experience working together, and whose team members clearly demonstrate competence in their field.
3. **Type of Relevant Experience** – Team members have experience relevant to the project envisioned by the Agency (a mixed use retail/residential project).
4. **References** - Developers that provided references from public and community partners.

5. **Financial Capacity** – Developers that demonstrated the financial strength to implement the type of project envisioned. (This evaluation was conducted by the Agency’s financial advisor, Keyser Marston Associates).

Based on the review of the review of the Qualification Statements in relation to these criteria, on May 22, 2003 the following developers were invited to submit proposals for the Site:

Developers/Proposals

Blake Hunt Ventures
Charter Development
Santa Clara Development
TMG Partners

The Proposal requirements included a conceptual site plan, conceptual elevations, written project description, conceptual project pro-forma, financing plan and proposed schedule of performance. All four developers submitted proposals on July 7, 2003 (full copies of each proposal are available for public review in the Office of Housing and Redevelopment). The Review Panel interviewed the developers on July 21, 2003 and recommended a preferred developer to the City Manager based upon the submittal criteria outlined in the RFQ/P and how closely the submittal met the goals and objectives identified by the Redevelopment Agency. On September 16, 2003 the Agency Board discussed the selection of a preferred developer and on October 13, 2003 the four developers made presentations to the Agency Board. The qualifications and proposals submitted by all four developers are compared, and the recommendation is discussed in the next section of this report.

DISCUSSION:

This section evaluates the proposals and qualifications of the four developers invited to participate in the final stage of the joint RFQ/P Process and provides a recommendation of a preferred developer for the Site. Consistent with the Centerville Redevelopment Plan, and as authorized by the Agency Board, the RFQ/RFP identified the following objectives for the development of the Site:

- a. Eliminate the blighted condition of the Site.
- b. Establish a new quality standard for the area that includes the promotion of pedestrian circulation and enhancement of the commercial district.
- c. Stimulate private investment in surrounding properties.
- d. Advance the Centerville Specific Plan by creating an attractive, large-scale, uniquely designed, community serving shopping area that:
 - (1) Creates a synergy between and unifies the commercial uses on both sides of Post Street,
 - (2) Provides new access from Fremont Boulevard to Post Street which creates visibility and access to the commercial uses and views of the hills beyond, and
 - (3) Provides an interface between the cemetery and any adjacent buildings – planned and buffered to maintain the cemetery’s historic character and contemplative nature.

- e. Link the project to the historic business district through the Pioneer Cemetery and the Centerville Train Depot.
- f. Incorporate building designs that fit into Centerville.
- g. Encourage uses that create a unique shopping environment that is not available elsewhere.
- h. Give priority to independent businesses over chain stores as much as possible.
- i. Include small cafés, and a small (15,000 square foot) boutique grocery store or a medium sized (30,000 square foot) indoor public market.
- j. Consider creating a “Main Street” style connection from Fremont Boulevard to Post Street to provide a visual corridor and possible vehicular connection to Dale Hardware, create a pedestrian friendly atmosphere within the development, and blend the development into the established streetscape of Centerville.
- k. Attempt to find an on-site fee-ownership option for the location of Scenario Game and Hobby Shop.
- l. Provide a variety of housing types where possible, including higher density residential housing (both affordable below market rate and market rate). It should be noted that a minimum of 15% affordability of residential units will be required consistent with the recently approved inclusionary housing ordinance (copy available upon request).
- m. Do not allow housing on the first floor along Fremont Boulevard.
- n. Encourage commuter rail service use by developing a transit-oriented project.

It is critical to the Agency that as many of these objectives as possible are met and that the project establish a quality standard for the district that can be replicated by private developers. All of the proposals received were evaluated in relation to these redevelopment objectives identified in the RFQ/P for the Site.

Summary of Proposals

Proposals were received from Blake Hunt Ventures partnering with Castle Companies (BHV), Charter Development (Charter), Santa Clara Development (Santa Clara), and TMG Partners (TMG). All of the proposals (whose site plans and elevations were submitted under separate cover to Agency Board members on August 21, 2003 and are available on the Office of Housing and Redevelopment web-site at www.fremont.gov/construction/redevelopment/centerville.htm under “Projects Underway”) include both housing and retail development, but vary significantly in the amount and configuration of retail, and the density and type of residential proposed.

Overall, proposals included retail development ranging from a low of 27,000 square feet (Santa Clara) to a high of 62,000 square feet (Charter). Housing density ranged from 74 town homes (BHV) to 240 apartments (TMG). Three of the four proposals included the addition of new streets connecting Fremont Boulevard to Post (BHV, Charter, TMG); two projects proposed retail on the first floor fronting Fremont Boulevard (Santa Clara and TMG); two proposed the use of parking structures of some kind (Charter and TMG); and two projects proposed free-standing retail structures (Santa Clara and TMG) that could potentially be used to house Scenario Game and Hobby with the business/property owner retaining a fee ownership position. Table 1 summarizes the key land use elements of each proposal.

It should be noted that these development proposals are conceptual. The comments in this staff report are only intended to evaluate how the overall site plan configuration and proposed uses may or may not help implement the Agency's stated goals and objectives. It is expected that the site plan of the preferred developer will change during DDA negotiations where comments from the community, as well as City staff and the Agency Board will be addressed.

Table 1: Proposal Comparison - Development Summary

| | BHV/Castle (JV) | Charter Development | Santa Clara Development | TMG Partners |
|-----------------------------------|--|---|---|---|
| <u>Retail Program</u> | 46,000 sq. ft. of retail, of which 18,000 sq. ft. is for a specialty anchor (like an independent grocery store). Surface parking lots and new street parking. <u>Scenario Shop:</u> Relocated off-site if unable to accommodate in line shops. | 62,000 sq. ft. of retail (some on second floor) with attached parking garage and new street parking. <u>Scenario Shop:</u> Relocated off-site if unable to accommodate in line shops. | 27,000 sq. ft. of retail space (10,000 sq. ft. of which is ear-marked for new Scenario building). Surface parking fronting Fremont Boulevard. <u>Scenario Shop:</u> New 10,000 sq. ft. freestanding structure could potentially accommodate Scenario on site. | 40,000 sq. ft. of pad retail and ground floor retail (along Fremont Blvd.). Surface parking, new street parking and parking garage under apartment complex behind stores. <u>Scenario Shop:</u> New 9,000 sq. ft. freestanding structure could possibly accommodate Scenario on site. |
| <u>Residential Program</u> | 74 attached for-sale homes, approximately 112,000 sq. ft. (≈1,500 sq. ft./home). Private 2-car garages. Possible live-work homes along Fremont Blvd. <u>Affordability:</u> 15% moderate income (11 of 74 units) | 200 senior apartments above parking garage. Four to five stories overall. <u>Affordability:</u> 50% very low- and low-income (100 of 200 units) | 91 for-sale condominiums, 6 apartments above retail facing Fremont Blvd. Three stories overall. Surface parking surrounds development. <u>Affordability:</u> 15% moderate income (15 of 97 units) | 240 apartments above parking garage. Four stories overall, stepped back from streets. Live-work spaces in 2-story townhouses and studios possible. <u>Affordability:</u> 20% very low-income (48 of 240 units) |

Achieving Redevelopment Objectives

Each development proposal meets the stated redevelopment objectives for the site to varying degrees. Table 2 reviews each of the developer proposals against stated Agency objectives. These objectives were considered in addition to the qualifications of the developers and financial performance of the projects in the development of staff's recommendations of the preferred developer.

| TABLE 2: Summary of Objectives Met | | | | | |
|---|--|--------------------|----------------------|----------------------|---------------------|
| No. | Objective Is the project likely to: | BHV | Charter | Santa Clara | TMG |
| | Eliminate blight | Yes | Yes | Yes | Yes |
| | Establish a new quality standard for Centerville that: | | | | |
| | 1) Promotes pedestrian circulation, and | Yes | Yes | No | Yes |
| | 2) Enhances the existing commercial district | Yes | Yes | Unclear ¹ | Yes |
| | Stimulate private investment in surrounding properties | Yes | Yes | Yes | Yes |
| | Advance the Centerville Specific Plan by creating an attractive, large-scale, uniquely designed, community serving shopping area that: | | | | |
| | 1) Creates synergy between and unifies commercial uses on both sides of Post Street | Yes | Yes | No | Yes |
| | 2) Provides new access to Post St from Fremont Blvd to create visibility and access to the commercial uses and views of the hills beyond | Yes | Yes | No | Yes |
| | 3) Provides an interface between cemetery and adjacent buildings that maintains the cemetery's historic character and contemplative nature | Yes | Unclear ² | No | Yes |
| | Link the project to the historic business district through the Pioneer Cemetery and the Centerville Train Depot | Yes | Yes | No | Option ³ |
| | Have building design that fits Centerville | No ⁴ | Yes | Yes | Yes |
| | Have uses that create a unique shopping environment not available elsewhere | Maybe ⁵ | Yes | Maybe ⁶ | Yes |
| | Give priority to independent businesses over chains | Maybe | Maybe | Maybe | Maybe |
| | 1) Include small cafés | Yes | Yes | Yes | Yes |
| | 2) Include a small boutique grocery store or | Maybe | Maybe | Maybe | Maybe |

| TABLE 2: Summary of Objectives Met | | | | | |
|---|---|------------|------------------------|------------------------|--------------------------------------|
| No. | Objective Is the project likely to: | BHV | Charter | Santa Clara | TMG |
| | public market place | | | | |
| | Have a “Main Street” style connection from Fremont Blvd to Post St | Yes | Yes | No | Yes |
| | Have on-site fee ownership location for Scenario | No | No | Yes | Yes |
| | 1) Provide a variety of housing types 2) Provide more than the minimum of 15% affordable units | No No | No Yes ⁹ | Yes ⁷ No | Yes ⁸ Yes ⁹ |
| | Keep housing off the first floor along Fremont Blvd | No | Yes | Yes | Yes |
| | Encourage commuter rail service use by developing a transit-oriented project | Yes | No ¹⁰ | Yes | Yes |

1. Setting back commercial buildings from Fremont Boulevard may create an island of the project rather than encouraging customer interaction with other properties.
2. Parking structure abuts cemetery. Vine covered wall retains quiet atmosphere in cemetery, but small fortress-like opening to parking garage is not inviting and may be underutilized if it appears to be unsafe.
3. Present site plan does not show access because developer wants to encourage foot traffic along Fremont Boulevard; however, access to cemetery is an option.
4. Town home residential product on Fremont Boulevard does not fit into the commercial district of Centerville.
5. Shallow depth of proposed commercial structures may limit use to primarily service commercial. Lack of parking near anchor a concern.
6. Shallow depth and size of retail structures and small retail square footage overall may make it difficult to attract uses that create a significant and unique retail area not otherwise available in Fremont.
7. Primarily ownership with some rental above retail.
8. Primarily rental with some for sale live work. Additional ownership opportunities possible.
9. Charter is a 50% low-income senior project, and TMG is proposes 20% low income multifamily.
10. 100% senior housing project unlikely to produce a significant number of commuters.

All are expected to help eliminate blight, establish a new quality standard for Centerville, stimulate private investment in the area, and include retail uses and small cafés. The critical concern is how the proposed development is expected to relate to the rest of the commercial district, and whether or not the development will enhance and connect with existing businesses around it (both on Post Street and in the existing historic retail area between Bonde Way and Central Avenue).

The Agency’s stated objectives envision a vibrant retail area that is compatible with Centerville in design and enhances pedestrian activity among commercial uses both on- and off-site by providing a retail environment along Fremont Boulevard, additional housing opportunities near the downtown, and connections to Dale Hardware and the Centerville Depot. Part of the challenge in executing this vision lies with the nature of Fremont Boulevard itself. The section of Fremont Boulevard fronting the Site is presently part of Highway 84, controlled by CalTrans. Four travel lanes and a center turn lane run the

length of the site. Because of restricted right of way width there is no parking on either side of the street. The lack of parking and the width of the road encourage fast moving traffic, which discourages drivers from stopping to pull into parking lots and shop. The lack of a protective “wall” of parked cars combined with the speed of the traffic also makes the sidewalk an unpleasant walking experience. In order to ensure the success of the retail district along Fremont Boulevard, the Agency will need to identify traffic calming measures and more pedestrian friendly features that can be put in place, both as part of this project and as a separate effort, to ensure Fremont Boulevard is a pedestrian friendly street. Staff will work with a transportation consultant to identify traffic calming opportunities on Fremont Boulevard. This work will consider traffic circulation, parking and pedestrian needs on Fremont Boulevard between Central Avenue and Thornton Avenue.

The results of this work will be discussed with the preferred developer, Centerville business and property owners and residents and returned to the Agency Board for consideration. The solicitation of a consultant to assist with this work is underway. The work will be conducted in January – February 2004 and reviewed with the community and Agency Board in February – March 2004.

Estimated Number of School Age Children in the Development

At its meeting on October 13, 2003 the Agency Board requested information regarding the estimated number of school age children in the four conceptual proposals. The Fremont School District conducts studies of student generation rates by housing types as a means of projecting future enrollment. The most current estimate of 0.122 school age students per multi-family or town house unit was developed in a 1998 Impact Fee and Mitigation Study. The estimates for each development proposal are presented in Table 3.

| TABLE 3: School Age Children in Development | | | | |
|--|------------|----------------|--------------------|------------|
| | BHV | Charter | Santa Clara | TMG |
| # of Units | 74 | 200 | 97 | 240 |
| Estimated # of Children (1) | 9 | 0 (2) | 12 | 29 |

1. Fremont Unified School District Development Impact Fee and Mitigation Study – Student Generation.
2. Senior project will not include school age children

The actual number of children will be a function of the number of bedrooms and size of the units. This type of infill project is not a project that is targeted to large families

Proposal Review

The following is the Review Panel’s evaluation of the merits of each development proposal, excluding financing considerations, which will be discussed in the next section.

TMG. In the Review Panel’s opinion, TMG’s proposal came the closest to meeting all of the Agency’s stated objectives and has the potential to create the most dynamic change in Centerville. It has a significant retail component (40,000 square feet), is the only project that provides retail space along the entire street edge of Fremont Boulevard (helping to link the Site to Centerville’s historic commercial core), and has the potential to add more retail along the new street created through the site without making significant site plan changes. However, even if market forces do not permit additional retail to be added to the project in the DDA process, the TMG proposal compares favorably with the other mixed-use projects the Agency Board toured on August 26, 2003 (see Table 4). This is also true of its residential density.

TMG’s was the only proposal that focused on higher density, multi-family (as opposed to exclusively senior or single family) housing. This is expected to contribute to the vibrancy of the retail district in Centerville. TMG achieved its development densities by stacking housing above much of the retail and a large percentage of parking, making full use of the Site and creating a strong presence for the project on Fremont Boulevard. This strong presence will advertise the retail area of Centerville and is expected to create interest and encourage exploration of the shops and restaurants located on the site. The multi-family housing should also benefit the area by providing more residents that will want to shop and eat in Centerville.

The flexibility of TMG’s site plan in both site design and use also sets its proposal apart from other submittals. Like three of the other proposals, the TMG proposal includes a new street connecting Fremont Boulevard to Post Street, linking Dale Hardware to Centerville’s busiest thoroughfare. Though this new avenue is shown primarily as a residential street, retail does wrap onto it from Fremont Boulevard and the site plan is flexible enough to convert some or all of the housing along the new street to retail or live-work space (if the market supports this conversion) without significant site plan modification. In addition, the new street can be closed off at either end to provide a safe and inviting area for community events that could spill out onto Post, Bonde and finally into the Depot and Bill Ball Plaza areas as the need arises.

| Table 4: Proposal Comparison to Developments on Mixed Use Tour | | | | |
|---|----------------|-----------------------------|-----------------------------|--------------------|
| Project | Acreage | Retail (sq. ft.) | Office (sq. ft.) | Residential |
| TMG, Centerville | 6.58 | 40,000 | 0 | 240 rental units |
| Avalon on the Alameda San Jose | 11 | 15,000 | 0 | 305 rental units |
| Park Place South Mountain View | 11 | 6,400 | 112,000 | 490 rental units |
| City Center Redwood City | 1.7 | 16,000 | 0 | 82 rentals |

Another unique feature that sets the TMG proposal apart from the other projects is that, in addition to the wide sidewalks and patios in the retail areas (present in all four projects to varying degrees), TMG has also provided a significant amount of usable open space within the project for residential use. Each residential building has a private garden courtyard (that is actually located above the ground story parking garage) that includes walkways, green areas and water features. These outdoor spaces are

expected to help provide the high quality living and shopping environment that the Agency is hoping to achieve within Centerville as a whole.

BHV and Charter. The BHV and Charter proposals also met many of the Agency's stated objectives. They both provided a new "Main Street" environment - connecting Fremont Boulevard to Post Street with a new road, which provided an important connection to Dale Hardware. Both provided a central plaza within the development, and a pedestrian connection to the Centerville Depot through the Pioneer Cemetery to encourage rail use and an appreciation for the historic contributions of these community landmarks. Both also provided a significant amount of retail on site.

One of the key concerns regarding both the BHV and Charter proposals related to the significant residential presence on Fremont Boulevard (BHV through the placement of town-homes facing Fremont Boulevard, and Charter through placement of a residential parking structure on Fremont Boulevard). The placement of residential structures on Fremont Boulevard was specifically identified as undesirable in the Agency's RFQ/P as it tends to separate the project's retail environment from the existing retail uses in the district. BHV's placement of the town-home units on site was considered particularly problematic as the town-homes do not fit into the commercial character of the area and stand between the project's retail core and the historic town center of Centerville, the Agency's primary target for business enhancement. Though BHV did present an alternative plan during their interview that removed a number of town-homes and replaced them with freestanding commercial structures, the developer noted that it provided more commercial than could reasonably expect to fill in today's market, and the additional retail would also reduce the project's overall financial performance and require additional Agency subsidy.

Both the BHV and Charter site plans also contained significant design and use proposals that raised concerns. These concerns may or may not be able to be overcome through negotiation, and are noted below. For BHV, the proximity of parking near the anchor tenant could be problematic for most uses envisioned. In addition, the shallow depth of the other retail structures (50 feet deep, rather than the market standard of 60 feet deep) could limit the utility of buildings. While this depth may work for the smaller uses for Centerville's current market niche, it does not provide much flexibility in meeting the needs of larger retailers, nor does it provide an opportunity to create the dynamic shopping, dining and entertainment environment many community members envision for this site. For Charter, the overall bulk of the proposed housing component appears to be out of character with Centerville as a whole. In addition, the dynamic retail-shopping environment that is desired for the Site is not expected to be enhanced by the presence of a 100% senior housing project. Inconsistencies in Charter's pro-forma were also of concern.

Santa Clara. Of the four proposal submitted, Santa Clara's proposal was the furthest from meeting stated Agency goals and objectives. The Santa Clara proposal contains the smallest amount of retail development of all the proposals (27,000 sq. ft). It does not provide a connection to Dale Hardware, the Pioneer Cemetery or the Centerville Train Depot, and the parking areas that surrounded the development serve to separate the project from adjacent uses, rather than unifying the area. This minimizes the project's ability to provide pedestrian spillover into surrounding commercial properties.

Again, during DDA negotiations the site plan of the selected developer is expected to evolve, and the development's ability to achieve certain redevelopment objectives could change. It should also be noted that changes to the proposal are likely to affect the project's financial performance.

Summary of Finances/Developer Capability

In addition to land use considerations, financing proposals also vary widely between developments (see Table 5), however there are similarities. The two projects with the lowest development density (BHV and Santa Clara) have identified similar project costs (\$32 to \$37 million) and expect to self-finance all required equity (ranging from \$4 to \$8 million). The two projects with the highest development density (Charter and TMG) are also projecting similar project costs (\$53 to \$54 million), and both expect to provide project equity (\$7 to \$8 million) through a combination of self-financed equity and third-party equity partners.

The Agency's financial Advisor, Jerry Keyser of Keyser Marston Associates Inc, has reviewed the proposals and the credentials and financial references of each developer and has indicated that, in his opinion, all of the developers are financially capable of executing their proposals as outlined. It should be noted that the Charter proposal is highly dependent upon successfully competing for tax credit and bond financing, and that the highly competitive nature of these funding sources might delay the project if alternative sources are not available. TMG is also planning to compete for bond financing, but has indicated that other financing sources could be pursued to support the project.

It is important to note that the figures in Table 5 are estimates only and are based upon a conceptual proposal that is expected to change, as the development proposal is refined through the DDA process.

| Table 5: Proposal Comparison - Cost/Financing | | | | |
|---|--|--|---|--|
| | BHV/Castle (JV) | Charter Development | Santa Clara Development | TMG Partners |
| A. Total Development Cost | \$37.3 M | \$53.4 M (1) | \$32.1 M | \$54.0 M |
| B. Debt | \$29.3 M Conventional | \$42.0 M (1) residential: Bond \$21 M retail: conventional \$20M | \$28.3 M | \$45.9 M residential: Bond \$37.4 M retail: conventional \$8.5 M |
| C. Equity Amount | \$8.0 M | \$15.0 M (1) | \$3.9 M | \$8.1 M |
| Nature | Developer | \$7.4 M Developer and/or 3rd party \$5.6 M Tax Credits \$2.0 M City Assistance | Developer | Developer and/or 3rd party Possible Tax Credits |
| Impact on Timing | Not Applicable | Bond Timing Possible Risk | Not Applicable | Bond Timing Possible Risk |
| D. Retail Rent Requirement | \$2.00/mo. small shops \$1.00/mo. Anchor | \$3.15/mo. | \$2.25/mo. | \$2.60/mo. small shops \$2.10 mo. anchor/pads |
| E. Residential Rent/Sale Req. | market rate: \$400k-\$410k | Not Available | market rate: \$270 k 6 rental @\$1.60/sq.ft./mo. | market rate @ \$1.92/mo |
| F. Developer Return (based on pro forma submitted) | Condos: 7.7% of costs Retail: 12% ROC | Apartments: Not Specified Retail: 6.8% ROC | Not Specified | Apartments: 8% ROC Retail: 3% of directs |
| G. Developer Fee/Overhead | Residential: 10% of directs Retail: 4% of directs | Residential: 7% of directs Retail: 11% of directs | Combined Residential & Retail: 7% of directs | Residential: 1.5% of directs Retail: 3% of directs |

(1) Developer admits Pro Forma math error that has not been corrected

Redevelopment Agency Financial Investment required by the Proposals

As of February 13, 2003, the Redevelopment Agency had appropriated \$10,164,181 in non-housing funds for this project. Additional acquisition and relocation costs are anticipated for the Scenario Parcel to prepare the Site for development. However, three of the development proposals (BHV, Charter, and TMG) require additional Agency investment if they are to be built as proposed. Santa Clara's proposal, on the other hand, includes a land residual payment to the Agency (effectively reducing the Agency's up-front investment in the project). The subsidy issue is one of a number of factors to consider in the evaluation of the proposals. It is important to note that the proposals and financing plans are based upon the Developers' conceptual site plan and preliminary review of financing options. It is certain that the site plan will evolve subsequent to Agency Board and Community review. The additional Agency investment can potentially be reduced or modified as the site plan evolves and terms of the DDA are negotiated (e.g. if a rental project is able to shift certain units to for-sale town-homes, the financial performance of the project will be enhanced in the resulting DDA).

In order to fairly evaluate the reasonableness of the requested "Up-Front" Agency investment, the long-term impact of the project on Agency funds (the Net Agency investment) and the economic vitality of Centerville must be evaluated. This evaluation begins with the Developers pro-forma.

Pro-forma Requested. Each developer was requested to provide a pro-forma (estimate of the financial performance of the development) based upon their development proposals. The pro-forma was to describe the level of investment (project costs), rate of return, and the developer's plan to finance the development. This evaluation identified the "gap" that needed to be filled by the Agency to make the profitable to the developer, and this gap resulted in a requested for additional Agency investment in the case of BHV, Charter and TMG, and a credit in the case of Santa Clara.

Net Agency Investment. To determine the Net Agency Investment (shown in Table 6) Keyser Marston estimated the increased tax increment (TI) that the Agency could expect to receive as a result of each project. As a general rule, the more dense the project, the higher its assessed value, and the more TI it could be expected to generate over the remaining life of the Redevelopment Area. In order to compare the value of the TI generated over the next 40 years to the "Up Front" costs of the project, Keyser Marston converted the TI into today's dollars (aka Net Present Value or NPV). As shown in Table 4, the Net Agency Investment for the site is expected to range from \$5 to \$11 million dollars. However, when this investment is considered as a percentage of the overall value of the project, each of the projects are similar with Agency investment ranging from 12% to 16% of the Total Development Cost.

| Table 6: Redevelopment Agency Participation (in Millions) | | | | |
|---|------------------------|----------------------------|--------------------------------|---------------------|
| | BHV/Castle (JV) | Charter Development | Santa Clara Development | TMG Partners |
| Planned Agency Expenditures (1) | \$12.1 M | \$12.1 M | \$12.1 M | \$12.1 M |
| Up Front Subsidy Requested by Developers | \$1.1 M | \$5.5 M | (\$.7 M) | \$1.7 M |
| (Less) Land Payment | <u>\$0</u> | <u>\$0</u> | <u>(\$2.25 M)</u> | <u>\$0</u> |
| "Up-Front" Agency Investment | \$13.2 M | \$17.6 M | \$9.1 M | \$13.8 M |
| Tax Increment Rebate (2) | \$0 | \$0 | \$0 | \$4.4 M |
| Total By Agency | \$13.2 M | \$17.6 M | \$9.1 M | \$18.2 M |
| (Less) NPV Tax Increment from project | <u>(\$4.9 M)</u> | <u>(\$7.1 M)</u> | <u>(\$4.1 M)</u> | <u>(\$7.2 M)</u> |
| Net Agency Investment | \$8.3 M | \$10.5 M | \$5.02 M | \$10.9 M |
| Total Development Cost (Developer's Cost + Up-Front Agency Investment + Additional Subsidy Requested) | \$50.5 M | \$71.02 M | \$41.2 M | \$72.1 M |
| Net Agency Investment as % of Total Development Cost | 16% | 15% | 12% | 15% |

(1) Includes total anticipated property acquisition, tenant relocation, environmental investigation and remediation, legal and planning costs to date.

(2) Net present value of tax increment projected

Conclusion.

TMG Partners is staff's recommendation for the preferred developer. Should the Agency Board pursue the development of TMG's proposal, it may be required to contribute an estimated \$1.7 million in additional funds toward up-front development assistance, over and above the Planned Agency Expenditures estimated in Table 6. These additional funds contribute to maximizing the development potential of the site by subsidizing the cost of structured parking, an expense that the BHV and Santa Clara proposals avoid through reduced development densities and limiting parking to surface parking lots. It also supports TMG's provision of a new street through to Dale Hardware, a design feature that was requested in the RFQ/P to enhance the commercial link from Post Street to Fremont Boulevard. Due to the flexibility of TMG's site plan, the final subsidy amount may be able to be reduced by changing

the residential mix to provide more for-sale units. Even if it cannot be reduced, the up-front subsidy is significantly less than Charter (\$5.55 million) and comparable to BHV (\$1.1 million).

The TMG proposal also anticipates that the Agency will share up to \$4.36 million in Tax Increment (TI) funds Net Present Value (NPV) after the project is built. This subsidy is expected to be needed in the initial years of the project to ensure profitability. Though no other developer is requesting a share of tax increment, no other developer is proposing to make as high an investment in the property as TMG. In fact, when the total Net Present Value (NPV) of the project is weighed against the Total Development Cost of the project, the total project subsidy requested by TMG represents a 15% share for the Agency in the Total Development Cost of the project, which is equal to Charter and slightly less than BHV (16%). It is also within a reasonable range of the public investment required for the Santa Clara proposal (12%). In addition, there is the potential that the project will out-perform pro-forma projections and a portion of the subsidy will not be needed or can be reduced.

Overall, the TMG project links well to the surrounding properties and the historic commercial core of Centerville. It is expected to establish a new quality standard for Centerville and be an important catalyst for change, it also provides a potential on-site fee ownership relocation option for Scenario Game and Hobby Shop, and the financial requirements of the project compare well to the other development proposals. In addition, the TMG development team has demonstrated experience in infill development and mixed use development where residential and retail uses are found in the same building; assembled a highly skilled team who have demonstrated competence in architecture, problem solving and community relations; received high recommendations from public partners; and demonstrated the ability to secure the financing needed for complex mixed-use projects. For these reasons, TMG's proposal is the preferred project and TMG is recommended as the preferred developer.

Next Steps. If the Agency approves staff recommendation, the Executive Director will enter into an Exclusive Right to Negotiate (ERN) agreement with the preferred developer for a period of 180 days during which time the developer and Agency staff will attempt to:

- Seek community input into the project.
- Evaluate and to the extent possible secure retail tenant interest.
- Develop a site plan for the project.
- Negotiate the business terms of a Disposition and Development Agreement (DDA) that will govern the transaction between the Agency and developer to cause the development to occur.
- Conduct additional financial analysis and market studies of the development.
- Prepare appropriate California Environmental Quality Act (CEQA) and Community Redevelopment Law (CRL) documentation for consideration by the Agency Board in connection with its consideration of a successfully negotiated DDA.

During the term of the ERN, the Agency would be prohibited from negotiating with other prospective developers of the site. Staff would keep the Agency Board informed during the ERN process regarding the tasks identified above. The Executive Director and developer could agree to extend the ERN agreement if progress on the DDA merits its extension.

ENCLOSURE: None

RECOMMENDATION: Adopt a resolution that:

1. Designates TMG Partners as the preferred developer for the Centerville Unified Redevelopment Area because of the development team's relevant development experience with mixed-use development, the proposal submitted, and their financial capability.
2. Authorizes the Executive Director to enter into an Exclusive Right to Negotiate Agreement (ERN) with TMG Partners for a period of 180 days to negotiate a Disposition and Development Agreement (DDA) and to extend the agreement if progress on the negotiation of the DDA merits its extension.